

2008-251-E

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February 24, 2009

Governor Mark Sanford  
Office of the Governor  
State House - 1st Floor  
PO Box 12267  
Columbia, SC 29211

Dear Governor Sanford, *Mark*

Piedmont Natural Gas is encouraged with the passage of the American Recovery and Reinvestment Act of 2009 (ARRA). This Act includes landmark provisions that will enable Americans to conserve money by using energy more efficiently. To take full advantage of ARRA funding for energy efficiency, South Carolina must be proactive in its energy utility policies. The purpose of my letter is to encourage you to champion implementation of energy policies and programs to enable South Carolina citizens to make responsible energy choices and to maximize access to available ARRA energy efficiency and conservation funding for South Carolina.

Specifically, near-term we must put in place rate mechanisms, such as "decoupling," for both natural gas and electric utilities. This rate design separates or delinks a utility's revenue from the volume of energy (natural gas or electricity) it delivers. Without these structures in place, utilities are motivated to increase energy consumption among existing customers for financial gain.

Under the Act, it is also critical that South Carolina ensures timely cost recovery and incentives for utilities who implement programs resulting in cost-effective, measurable, and verifiable efficiency savings. A program that allows investment in energy efficiency programs to be included as part of the costs and infrastructure on which an energy utility is allowed to earn a regulated return is one example of such a policy.

In linking energy efficiency dollars to decoupling rate mechanisms and other important rate initiatives, ARRA has ratified the public policy of the states that have already begun down this path. Rate designs that financially reward utilities based on increased energy usage are no longer consistent with the national drive toward energy efficiency and conservation programs. Nor are they consistent with the need to address climate change and carbon emissions.

policymakers and utilities to identify solutions that result in a clear path for consumers to make responsible energy choices. We look forward to working with your office, the utilities Commission, other state policymakers and the other regulated utilities in order to ensure that the benefits of ARRA are fully realized by the citizens of our great state.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Skains', with a horizontal line above it.

Thomas E. Skains  
Chairman, President and CEO  
Piedmont Natural Gas

cc: Tom Davis, Chief of Staff  
Chairman Elizabeth Fleming, Public Service Commission of South Carolina  
Vice-Chairman John Howard  
Commissioner David A. Wright  
Commissioner Randy Mitchell  
Commissioner G. O'Neal Hamilton  
Commissioner Mignon Clyburn  
Commissioner Swain Whitfield